



# ANNUAL STATEMENT

For the Year Ended December 31, 2014  
of the Condition and Affairs of the

## HMO Partners, Inc

NAIC Group Code.....876, 876 (Current Period) (Prior Period) NAIC Company Code..... 95442 Employer's ID Number..... 71-0747497

Organized under the Laws of Arkansas State of Domicile or Port of Entry Arkansas Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized..... November 8, 1993 Commenced Business..... January 1, 1994

Statutory Home Office 320 West Capitol..... Little Rock ..... AR ..... US .... 72203-8069  
*(Street and Number) (City or Town, State, Country and Zip Code)*

Main Administrative Office 320 West Capitol..... Little Rock ..... AR ..... US .... 72203-8069 501-221-1800  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*

Mail Address 320 West Capitol..... Little Rock ..... AR ..... US .... 72203-8069  
*(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*

Primary Location of Books and Records 601 S. Gaines..... Little Rock ..... AR ..... US .... 72201 501-378-2000  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*

Internet Web Site Address healthadvantage-hmo.com

Statutory Statement Contact Scott Bradley Winter 501-399-3951  
*(Name) (Area Code) (Telephone Number) (Extension)*  
sbwinter@arkbluecross.com 501-378-3258  
*(E-Mail Address) (Fax Number)*

### OFFICERS

Name	Title	Name	Title
1. John Charles Glassford Jr. #	President/CEO	2. Gray Donald Dillard	Treasurer/CFO
3. Scott Bradley Winter	Assistant Treasurer	4. Kathleen O'Dea Ryan	Vice President

### OTHER

James Sterling Adamson Jr. MD	Chairman	David Frank Bridges Jr. #	Assistant Secretary
Russell Doyne Harrington Jr.	Secretary	Robert Cecil Roberts	Vice Chairman

### DIRECTORS OR TRUSTEES

James Sterling Adamson Jr. MD	Sharon Kay Allen	James Robert Bailey	David Frank Bridges
Michael Wayne Brown	Richard Allen Calhoun Jr. MD	David Warren Cobb R.PH.	Jim Loyd English MD
John Charles Glassford Jr.	Richard Loyd Gore DDS	Merlin Moody Hagan	Russell Doyne Harrington Jr.
James Bruce Hazlewood MD	Thomas Matthew Kovaleski MD	Robert Cecil Roberts	Kathleen O'Dea Ryan
Sherman Ellis Tate	Robert Lee Trammel	Michael David Voss	Paul Mark White
Nikita Jean Wilson RN			

State of..... Arkansas  
County of..... Pulaski

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) John Charles Glassford Jr.	_____ (Signature) Gray Donald Dillard	_____ (Signature) Scott Bradley Winter
1. (Printed Name) President/CEO	2. (Printed Name) Treasurer/CFO	3. (Printed Name) Assistant Treasurer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me This \_\_\_\_\_ day of \_\_\_\_\_ 2015

a. Is this an original filing? Yes [ X ] No [ ]

b. If no

1. State the amendment number \_\_\_\_\_
2. Date filed \_\_\_\_\_
3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	78,446,378		78,446,378	75,093,516
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	24,400,603		24,400,603	25,506,976
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....25,133,672, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....42,460,420, Schedule DA).....	67,594,092		67,594,092	45,534,426
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	170,441,073	0	170,441,073	146,134,918
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	699,384		699,384	693,715
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0	
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....	2,446,016	140,743	2,305,273	2,358,335
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	117,831		117,831	136,340
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....	7,025,840	136,381	6,889,459	3,295,544
18.1 Current federal and foreign income tax recoverable and interest thereon.....	1,784,942		1,784,942	1,174,075
18.2 Net deferred tax asset.....	676,918	676,918	.0	
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....			.0	
24. Health care (\$.....1,559,512) and other amounts receivable.....	1,953,965	394,453	1,559,512	938,388
25. Aggregate write-ins for other than invested assets.....	2,934,307	0	2,934,307	2,502,249
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	188,080,276	1,348,495	186,731,781	157,233,564
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	188,080,276	1,348,495	186,731,781	157,233,564

### DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	.0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	.0	0
2501. Supplemental Savings Plan.....	2,934,307		2,934,307	2,502,249
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	.0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,934,307	0	2,934,307	2,502,249

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....5,882,719 reinsurance ceded).....	17,983,967		17,983,967	15,317,208
2. Accrued medical incentive pool and bonus amounts.....	199,381		199,381	
3. Unpaid claims adjustment expenses.....	318,656		318,656	320,980
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	484,468		484,468	124,137
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	3,353,580		3,353,580	3,482,196
9. General expenses due or accrued.....	5,295,558		5,295,558	1,565,476
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....	1,703,415		1,703,415	2,173,980
11. Ceded reinsurance premiums payable.....	197,384		197,384	194,280
12. Amounts withheld or retained for the account of others.....	5,895,217		5,895,217	5,059,000
13. Remittances and items not allocated.....	257,465		257,465	50,320
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	7,386,606		7,386,606	8,022,752
16. Derivatives.....			0	
17. Payable for securities.....	9,997,265		9,997,265	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	13,085,204		13,085,204	3,963,523
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	1,152,585	0	1,152,585	105,636
24. Total liabilities (Lines 1 to 23).....	67,310,751	0	67,310,751	40,379,488
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	2,620,000	0
26. Common capital stock.....	XXX	XXX	10,000	10,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	1,919,153	1,919,153
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	114,871,877	114,924,923
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	119,421,030	116,854,076
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	186,731,781	157,233,564

**DETAILS OF WRITE-INS**

2301. Unclaimed property.....	177,727		177,727	155,139
2302. Miscellaneous payables.....	974,858		974,858	(49,503)
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	1,152,585	0	1,152,585	105,636
2501. 2015 ACA Insurer Fee estimate.....	XXX	XXX	2,620,000	
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	2,620,000	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	593,004	562,363
2. Net premium income (including \$.....0 non-health premium income).....	XXX	171,533,576	153,817,848
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	0	0
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	171,533,576	153,817,848
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		128,233,639	121,685,937
10. Other professional services.....			
11. Outside referrals.....		3,003,949	2,737,165
12. Emergency room and out-of-area.....		30,474,858	30,014,492
13. Prescription drugs.....		52,500,732	48,643,825
14. Aggregate write-ins for other hospital and medical.....0		0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		(5,053,738)	(4,875,424)
16. Subtotal (Lines 9 to 15).....	0	209,159,440	198,205,995
<b>Less:</b>			
17. Net reinsurance recoveries.....		66,464,082	69,807,075
18. Total hospital and medical (Lines 16 minus 17).....0		142,695,358	128,398,920
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....2,426,734 cost containment expenses.....		3,895,178	2,835,867
21. General administrative expenses.....		21,224,733	15,135,044
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....0		167,815,269	146,369,831
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	3,718,307	7,448,017
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		2,254,360	2,141,425
26. Net realized capital gains or (losses) less capital gains tax of \$.....204,519.....		(313,276)	948,243
27. Net investment gains or (losses) (Lines 25 plus 26).....0		1,941,084	3,089,668
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....0		358,252	392,805
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	6,017,643	10,930,490
31. Federal and foreign income taxes incurred.....	XXX	2,934,614	3,404,617
32. Net income (loss) (Lines 30 minus 31).....	XXX	3,083,029	7,525,873

**DETAILS OF WRITE-INS**

0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Licensing fee income.....		160,000	160,000
2902. Miscellaneous Income.....		198,252	232,805
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	358,252	392,805

## STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	116,854,074	109,341,607
34. Net income or (loss) from Line 32.....	3,083,029	7,525,873
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	(154,397)	1,215,680
37. Change in net unrealized foreign exchange capital gain or (loss).....	(159,899)	(367,601)
38. Change in net deferred income tax.....	243,342	168,079
39. Change in nonadmitted assets.....	342,441	(157,056)
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(787,562)	(872,508)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	2,566,954	7,512,467
49. Capital and surplus end of reporting period (Line 33 plus 48).....	119,421,028	116,854,074

### DETAILS OF WRITE-INS

4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	171,461,023	155,607,972
2. Net investment income.....	3,299,170	2,986,477
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	174,760,193	158,594,449
5. Benefit and loss related payments.....	140,170,974	130,106,704
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	14,435,488	17,563,157
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	3,750,000	5,120,195
10. Total (Lines 5 through 9).....	158,356,462	152,790,056
11. Net cash from operations (Line 4 minus Line 10).....	16,403,731	5,804,393
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	26,405,308	11,042,272
12.2 Stocks.....	1,306,561	6,585,003
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	537	405
12.7 Miscellaneous proceeds.....	9,997,265	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	37,709,671	17,627,680
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	31,000,469	25,192,321
13.2 Stocks.....	669,943	5,462,153
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	31,670,412	30,654,474
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	6,039,259	(13,026,794)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	787,562	872,508
16.6 Other cash provided (applied).....	404,238	458,668
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(383,324)	(413,840)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	22,059,666	(7,636,240)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	45,534,426	53,170,667
19.2 End of year (Line 18 plus Line 19.1).....	67,594,093	45,534,426

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	253,248,335		81,714,759	171,533,576
2. Medicare supplement.....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....	2,468,210		2,468,210	0
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	255,716,545	0	84,182,969	171,533,576
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	255,716,545	0	84,182,969	171,533,576

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	212,525,129	210,482,370					2,042,759			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	67,101,037	65,058,278					2,042,759			
1.4 Net.....	145,424,092	145,424,092	0	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses.....	(5,253,119)	(5,253,119)								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	23,866,687	23,565,227					301,460			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	5,882,720	5,581,260					301,460			
3.4 Net.....	17,983,967	17,983,967	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	199,381	199,381								
6. Net healthcare receivables (a).....	360,265	360,265								
7. Amounts recoverable from reinsurers December 31, current year.....	117,831	117,831								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	21,818,374	21,818,374								
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	6,501,166	6,501,166								
8.4 Net.....	15,317,208	15,317,208	0	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	0									
11. Amounts recoverable from reinsurers December 31, prior year.....	136,340	136,340								
12. Incurred benefits:										
12.1 Direct.....	214,213,177	211,868,958	0	0	0	0	2,344,219	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	66,464,082	64,119,863	0	0	0	0	2,344,219	0	0	0
12.4 Net.....	147,749,095	147,749,095	0	0	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses.....	(5,053,738)	(5,053,738)	0	0	0	0	0	0	0	0

(a) Excludes \$.00 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	3,939,792	3,941,306					(1,514)			
1.2 Reinsurance assumed.....	.0									
1.3 Reinsurance ceded.....	1,024,643	1,026,157					(1,514)			
1.4 Net.....	2,915,149	2,915,149	.0	.0	.0	.0	.0	.0	.0	.0
2. Incurred but unreported:										
2.1 Direct.....	15,771,199	15,468,225					302,974			
2.2 Reinsurance assumed.....	.0									
2.3 Reinsurance ceded.....	4,858,077	4,555,103					302,974			
2.4 Net.....	10,913,122	10,913,122	.0	.0	.0	.0	.0	.0	.0	.0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	4,155,696	4,155,696								
3.2 Reinsurance assumed.....	.0									
3.3 Reinsurance ceded.....	.0									
3.4 Net.....	4,155,696	4,155,696	.0	.0	.0	.0	.0	.0	.0	.0
4. Totals:										
4.1 Direct.....	23,866,687	23,565,227	.0	.0	.0	.0	301,460	.0	.0	.0
4.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded.....	5,882,720	5,581,260	.0	.0	.0	.0	301,460	.0	.0	.0
4.4 Net.....	17,983,967	17,983,967	.0	.0	.0	.0	.0	.0	.0	.0

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	12,626,188	133,238,427	(457,851)	18,441,819	12,168,337	15,317,208
2. Medicare supplement.....					.0	
3. Dental only.....					.0	
4. Vision only.....					.0	
5. Federal employees health benefits plan.....					.0	
6. Title XVIII - Medicare.....					.0	
7. Title XIX - Medicaid.....					.0	
8. Other health.....					.0	
9. Health subtotal (Lines 1 to 8).....	12,626,188	133,238,427	(457,851)	18,441,819	12,168,337	15,317,208
10. Healthcare receivables (a).....		782,280			.0	
11. Other non-health.....					.0	
12. Medical incentive pools and bonus amounts.....		(5,253,119)		199,381	.0	
13. Totals (Lines 9 - 10 + 11 + 12).....	12,626,188	127,203,028	(457,851)	18,641,200	12,168,337	15,317,208

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**  
 (000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2010	2 2011	3 2012	4 2013	5 2014
1. Prior.....	100,911	100,960			
2. 2010.....	91,779	109,142	109,137		
3. 2011.....	.XXX	98,986	117,202	117,288	
4. 2012.....	.XXX	.XXX	109,242	122,334	122,327
5. 2013.....	.XXX	.XXX	.XXX	122,371	137,534
6. 2014.....	.XXX	.XXX	.XXX	.XXX	130,508

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2010	2 2011	3 2012	4 2013	5 2014
1. Prior.....	100,959	100,960			
2. 2010.....	112,344	108,424	109,137		
3. 2011.....	.XXX	120,220	117,476	117,288	
4. 2012.....	.XXX	.XXX	126,420	122,378	122,327
5. 2013.....	.XXX	.XXX	.XXX	138,270	137,651
6. 2014.....	.XXX	.XXX	.XXX	.XXX	149,150

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**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2010.....	136,034	109,137	4,081	3.7	113,218	83.2			113,218	83.2
2. 2011.....	143,846	117,288	4,052	3.5	121,340	84.4			121,340	84.4
3. 2012.....	143,207	122,327	3,654	3.0	125,981	88.0			125,981	88.0
4. 2013.....	153,894	134,987	3,436	2.5	138,423	89.9	(458)		137,965	89.6
5. 2014.....	171,533	133,056	3,895	2.9	136,951	79.8	18,641	319	155,911	90.9

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**  
(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2010	2 2011	3 2012	4 2013	5 2014
1. Prior.....	100,911	100,960			
2. 2010.....	91,779	109,142	109,137		
3. 2011.....	XXX	98,986	117,202	117,288	
4. 2012.....	XXX	XXX	109,242	122,334	122,327
5. 2013.....	XXX	XXX	XXX	122,371	134,987
6. 2014.....	XXX	XXX	XXX	XXX	133,056

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2010	2 2011	3 2012	4 2013	5 2014
1. Prior.....	100,959	100,960			
2. 2010.....	112,344	108,424	109,137		
3. 2011.....	XXX	120,220	117,476	117,288	
4. 2012.....	XXX	XXX	126,420	122,378	122,327
5. 2013.....	XXX	XXX	XXX	138,270	135,104
6. 2014.....	XXX	XXX	XXX	XXX	151,698

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2010.....	136,034	109,137	4,081	3.7	113,218	83.2			113,218	83.2
2. 2011.....	143,846	117,288	4,052	3.5	121,340	84.4			121,340	84.4
3. 2012.....	143,207	122,327	3,654	3.0	125,981	88.0			125,981	88.0
4. 2013.....	153,894	134,987	3,436	2.5	138,423	89.9	(458)		137,965	89.6
5. 2014.....	171,533	133,056	3,895	2.9	136,951	79.8	18,641	319	155,911	90.9

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**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid  
NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**  
 (000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2011	3 2012	4 2013	5 2014
1. Prior.....	<b>NONE</b>				
2. 2010.....					
3. 2011.....		XXX			
4. 2012.....		XXX	XXX		
5. 2013.....		XXX	XXX	XXX	
6. 2014.....		XXX	XXX	XXX	XXX

**SECTION B - INCURRED HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2010	2 2011	3 2012	4 2013	5 2014
1. Prior.....	<b>NONE</b>				
2. 2010.....					
3. 2011.....		XXX			
4. 2012.....		XXX	XXX		
5. 2013.....		XXX	XXX	XXX	
6. 2014.....		XXX	XXX	XXX	XXX

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**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2010.....					<b>NONE</b>	0.0			0	0.0
2. 2011.....				0.0		0	0.0		0	0.0
3. 2012.....				0.0		0	0.0		0	0.0
4. 2013.....				0.0		0	0.0		0	0.0
5. 2014.....				0.0		0	0.0		0	0.0

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	484,468	484,468							
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	.0								
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	484,468	484,468	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	484,468	484,468	.0	.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 7).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

13

**DETAILS OF WRITE-INS**

0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$.....0 premium deficiency reserve.

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	33,839	5,007	290,154		329,000
2. Salaries, wages and other benefits.....	4,954,675	2,250,440	23,873,596		31,078,711
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			7,169,878		7,169,878
4. Legal fees and expenses.....			177,550		177,550
5. Certifications and accreditation fees.....	3,402				3,402
6. Auditing, actuarial and other consulting services.....	7,402	20	1,007,954		1,015,376
7. Traveling expenses.....	108,015	6,062	342,805		456,882
8. Marketing and advertising.....	7,324		436,031		443,355
9. Postage, express and telephone.....	47,224	667,641	1,020,003		1,734,868
10. Printing and office supplies.....	99,134	30,973	701,118		831,225
11. Occupancy, depreciation and amortization.....	47,579	37,675	251,870		337,124
12. Equipment.....	30,302	19,884	359,103		409,289
13. Cost or depreciation of EDP equipment and software.....	238,606	130,129	3,345,832		3,714,567
14. Outsourced services including EDP, claims, and other services.....	1,182,730	529,542	673,999		2,386,271
15. Boards, bureaus and association fees.....	47,152	133	392,338		439,623
16. Insurance, except on real estate.....	146,116	14,024	126,857		286,997
17. Collection and bank service charges.....			170,765		170,765
18. Group service and administration fees.....	52,817	4,374	1,448,013		1,505,204
19. Reimbursements by uninsured plans.....	(1,811,988)	(1,006,354)	(12,751,912)		(15,570,254)
20. Reimbursements from fiscal intermediaries.....		276,946		27,548	304,494
21. Real estate expenses.....	72,031	55,887	514,707		642,625
22. Real estate taxes.....	5,899	6,478	44,615		56,992
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....		55,296	161,055		216,351
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....	9		11,608		11,617
23.4 Payroll taxes.....	268,029	127,662	1,123,840		1,519,531
23.5 Other (excluding federal income and real estate taxes).....	1,557	3,266	8,730,393		8,735,216
24. Investment expenses not included elsewhere.....				182,110	182,110
25. Aggregate write-ins for expenses.....	(3,115,120)	(1,746,641)	(18,397,439)	0	(23,259,200)
26. Total expenses incurred (Lines 1 to 25).....	2,426,734	1,468,444	21,224,733	209,658	(a) 25,329,569
27. Less expenses unpaid December 31, current year.....		318,656	5,295,562		5,614,218
28. Add expenses unpaid December 31, prior year.....		320,980	1,565,477		1,886,457
29. Amounts receivable relating to uninsured plans, prior year.....			62,503		62,503
30. Amounts receivable relating to uninsured plans, current year.....			40,174		40,174
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	2,426,734	1,470,768	17,472,319	209,658	21,579,479

### DETAILS OF WRITE-INS

2501. Administrative Service Agreement.....			2,334,945		2,334,945
2502. Unpaid Claims Processing.....		(16,378)			(16,378)
2503. Ceded Administrative Expense.....	(3,116,038)	(1,730,605)	(21,929,197)		(26,775,840)
2598. Summary of remaining write-ins for Line 25 from overflow page.....	918	342	1,196,813	0	1,198,073
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(3,115,120)	(1,746,641)	(18,397,439)	0	(23,259,200)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....476,488	.....432,159
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....1,329,818	.....1,396,497
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....621,244	.....618,918
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....20,368	.....16,445
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....2,447,919	.....2,464,018
11. Investment expenses.....	.....	(g).....209,658
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....209,658
17. Net investment income (Line 10 minus Line 16).....	.....	.....2,254,360

### DETAILS OF WRITE-INS

0901. ....		
0902. ....		
0903. ....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501. ....		
1502. ....		
1503. ....		
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....0	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0

- (a) Includes \$.....55,260 accrual of discount less \$.....1,105,740 amortization of premium and less \$.....198,870 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....			.....0		
1.1 Bonds exempt from U.S. tax.....			.....0		
1.2 Other bonds (unaffiliated).....	.....17,382	.....(2,249)	.....15,133	.....23,924	.....(159,899)
1.3 Bonds of affiliates.....			.....0		
2.1 Preferred stocks (unaffiliated).....			.....0		
2.11 Preferred stocks of affiliates.....			.....0		
2.2 Common stocks (unaffiliated).....	.....747,482	.....(871,910)	.....(124,428)	.....(224,463)	
2.21 Common stocks of affiliates.....			.....0		
3. Mortgage loans.....			.....0		
4. Real estate.....			.....0		
5. Contract loans.....			.....0		
6. Cash, cash equivalents and short-term investments.....	.....537		.....537		
7. Derivative instruments.....			.....0		
8. Other invested assets.....			.....0		
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....46,143	.....0
10. Total capital gains (losses).....	.....765,402	.....(874,159)	.....(108,757)	.....(154,396)	.....(159,899)

### DETAILS OF WRITE-INS

0901. LTD and SSP.....			.....0	.....46,143	
0902. ....			.....0		
0903. ....			.....0		
0998. Summary of remaining write-ins for Line 9 from overflow page..	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....46,143	.....0

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....	140,743	140,640	(103)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....	136,381	160,077	23,696
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	676,918	734,907	57,989
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....	394,453	655,312	260,859
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	1,348,495	1,690,936	342,441
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	1,348,495	1,690,936	342,441

### DETAILS OF WRITE-INS

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. A/R Other.....			.0
2502.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

## EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	6,758	5,808	5,539	5,449	5,322	66,834
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....	65,153	65,420	64,870	64,128	65,057	780,164
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	71,911	71,228	70,409	69,577	70,379	846,998

### DETAILS OF WRITE-INS

0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

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**NOTES TO FINANCIAL STATEMENTS**


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**1. Summary of Significant Accounting Policies****A. Accounting Practices**

The financial statements of the company are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department.

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

	State of Domicile - AR	2014	2013
NET INCOME			
(1) HMO Partner's state basis (Page 4, Line 32, Columns 2 & 3)		3,083,029	7,525,873
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:		0	0
(3) State Permitted Practices that increase/(decrease) NAIC SAP:		0	0
(4) NAIC SAP (1-2-3=4)		3,083,029	7,525,873
SURPLUS			
(5) HMO Partner's state basis (Page 3, Line 33, Columns 3&4)		119,421,030	116,854,076
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:		0	0
(7) State Permitted Practices that increase/(decrease) NAIC SAP:		0	0
(8) NAIC SAP (5-6-7=8)		119,421,030	116,854,076

**B. Use of Estimates in the Preparation of the Financial Statements**

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policy**

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) The Company does not have preferred stock.
- (5) The Company does not have mortgage loans.
- (6) The Company does not have loan-backed securities.
- (7) The Company does not have any investments in subsidiaries.
- (8) The Company does not have any investments in joint ventures, partnerships, or limited liability companies.
- (9) The Company does not have any derivatives.
- (10) The Company does not anticipate investment income as a factor in the premium deficiency calculation.
- (11) Claims cost unpaid is the largest estimate for loss liabilities in the HMOP annual statement. The claims liability is set at the regional level, but there are reasonableness checks using a reserve set on an overall basis. When setting liability, the four methods described below are employed. Based on the estimates of these methods and retrospective considerations, the best estimate is set and then an explicit margin is added to ensure that the estimate is good and sufficient. Historically the method relied on the most is the Lag Method.
  - a. **Lag (Development) Method:** A claims triangle is constructed for each block of business. Based on the claims payment patterns, the last 3 months of data are completed manually by adjusting the completion factors. This, in turn, provides an estimate of incurred claims and incurred per member numbers. For the months prior to the most recent three, the completion factors used to complete the data are based on the historical claims payment patterns

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## NOTES TO FINANCIAL STATEMENTS

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- b. 3 Month Average Method:** As the base liability estimate, the three month average liability of the third, fourth, and fifth month prior to the current month is used. Adjustments are made for trend, membership change, and backlog to get to the estimate
- c. IBNR Method:** As the base liability estimate, the liability from one year ago is used and trended forward with adjustments for trend, membership, and backlog.
- d. Aggregate Method:** Here, twelve months of paid claims are subtracted from 12 months of estimated incurred claims to get the liability estimate.

(12) The Company has not modified its capitalization policy from the prior period.

(13) Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

### 2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. Effective January 1, 2001, the State of Arkansas adopted that insurance companies domiciled in the State of Arkansas prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Arkansas insurance commissioner.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle.

There were no accounting changes or correction of errors from the prior period.

### 3. Business Combinations and Goodwill

- A. None
- B. None
- C. None
- D. None

### 4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2014.

### 5. Investments

- A. The Company has no mortgage loans at this time.
- B. The Company has no debt restructuring at this time.
- C. The Company has no reverse mortgages at this time.
- D. The Company has no loan-backed securities at this time.
- E. The Company has no repurchase agreements or securities lending transactions at this time.
- F. The Company has no investments in real estate at this time.
- G. The Company has no investments in low-income housing tax credits

### 6. Joint Ventures, Partnerships, and Limited Liability Companies

- A. None
- B. None

### 7. Investment Income

- A. None
- B. None

### 8. Derivative Instruments

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None

**NOTES TO FINANCIAL STATEMENTS****Note 9: Income Taxes**

The components of the net deferred tax asset/(liability) are as follows:

A.

1.

	12/31/14		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
( a ) Gross Deferred Tax Assets	1,546,598	1,344,348	2,890,946
( b ) Statutory Valuation Allowance Adjustment	0	0	0
( c ) Adjusted Gross Deferred Tax Assets (1a - 1b)	1,546,598	1,344,348	2,890,946
( d ) Deferred Tax Assets Nonadmitted	676,918	0	676,918
( e ) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	869,681	1,344,348	2,214,028
( f ) Deferred Tax Liabilities	34,757	3,882,686	3,917,443
( g ) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	834,924	(2,538,339)	(1,703,415)

	12/31/13		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
( a ) Gross Deferred Tax Assets	1,545,936	1,102,550	2,648,486
( b ) Statutory Valuation Allowance Adjustment	0	0	0
( c ) Adjusted Gross Deferred Tax Assets (1a - 1b)	1,545,936	1,102,550	2,648,486
( d ) Deferred Tax Assets Nonadmitted	734,907	0	734,907
( e ) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	811,029	1,102,550	1,913,579
( f ) Deferred Tax Liabilities	10,792	4,076,769	4,087,560
( g ) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	800,237	(2,974,218)	(2,173,981)

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
( a ) Gross Deferred Tax Assets	662	241,797	242,459
( b ) Statutory Valuation Allowance Adjustment	0	0	0
( c ) Adjusted Gross Deferred Tax Assets (1a - 1b)	662	241,797	242,459
( d ) Deferred Tax Assets Nonadmitted	(57,990)	0	(57,990)
( e ) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	58,652	241,797	300,449
( f ) Deferred Tax Liabilities	23,965	(194,082)	(170,117)
( g ) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	34,687	435,880	470,566

2.

	12/31/14		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
<b>Admission Calculation Components - SSAP 101</b>			
( a ) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	834,924	0	834,924
( b ) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	0	0	0
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	0	0	0
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	0	0	16,648,763
( c ) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	34,757	1,344,348	1,379,105
( d ) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2( c))	869,681	1,344,348	2,214,028

	12/31/13		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
<b>Admission Calculation Components - SSAP 101</b>			

**NOTES TO FINANCIAL STATEMENTS**

( a ) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	800,238	0	800,238
( b ) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	0	0	0
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	0	0	0
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	0	0	16,111,868
( c ) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	10,792	1,102,550	1,113,342
( d ) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2( c))	811,030	1,102,550	1,913,580

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
<b>Admission Calculation Components - SSAP 101</b>			
( a ) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	34,686	0	34,686
( b ) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	0	0	0
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	0	0	0
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	0	0	0
( c ) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	23,965	241,798	265,763
( d ) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2( c))	58,651	241,798	300,448

3.

	2014	2013
(a) Ratio Percentage used to determine Recovery Period and Threshold Limitation Amount	1777%	1892%
(b) Amount of Adjusted Capital and Surplus used to determine Recovery Period and Threshold Limitation in 2(b)2 above	114,871,877	114,924,923

4.

	12/31/14		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
<b>Impact of Tax Planning Strategies</b>			
( a ) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAa Amount From Note 9A1( c)	0%	0%	0%
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

	12/31/13		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
<b>Impact of Tax Planning Strategies</b>			
( a ) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAa Amount From Note 9A1( c)	0%	0%	0%

**NOTES TO FINANCIAL STATEMENTS**

2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
<b>Impact of Tax Planning Strategies</b>			
( a ) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAs Amount From Note 9A1( c )	0%	0%	0%
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

( b ) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_\_\_  
No           X          

B. Regarding deferred tax liabilities that are not recognized:  
Not applicable

C. Current and deferred income taxes consist of the following major components

## 1. Current Income Tax:

	(1) 12/31/14	(2) 12/31/13	(3) (Col 1-2) Change
( a ) Federal	2,939,241	3,354,409	(415,168)
( b ) Foreign	-	-	-
( c ) Subtotal	2,939,241	3,354,409	(415,168)
( d ) Federal Income Tax on net capital gains	204,519	906,843	(702,324)
( e ) Utilization of capital loss carry-forwards	-	-	-
( f ) Other	(4,627)	50,208	(54,835)
( g ) Federal & Foreign income tax incurred	3,139,133	4,311,460	(1,172,327)

## 2. Deferred Tax Assets:

	(1) 12/31/14	(2) 12/31/13	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Discounting of unpaid losses	225,836	213,407	12,429
(2) Unearned premium reserves	234,724	243,752	(9,028)
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred Acquisition Costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	987,625	1,039,554	(51,929)
(9) Pension accrual	-	-	-

**NOTES TO FINANCIAL STATEMENTS**

			-
(10) Receivables - nonadmitted	-	-	-
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other	98,413	49,223	49,190
(99) Subtotal - Ordinary	1,546,598	1,545,936	662
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted - Ordinary	676,918	734,907	(57,990)
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	869,681	811,029	58,652
(e) Capital:	-	-	-
(1) Investments	1,344,348	1,102,550	241,797
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other	-	-	-
(99) Subtotal - Capital	1,344,348	1,102,550	241,797
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted - Capital	-	-	-
(h) Admitted capital deferred tax assets (2a99-2b-2c)	1,344,348	1,102,550	241,797
(i) Admitted deferred tax assets (2d + 2h)	2,214,028	1,913,579	300,449

**3. Deferred Tax Liabilities:**

	(1) 12/31/14	(2) 12/31/13	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Investments			
Accrued Dividends	13,442	14,324	(882)
Unrealized Gains/(Losses)-SSP	21,315	(3,532)	24,847
Total Investments	34,757	10,792	23,965
(2) Fixed Assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other	-	-	-
(99) Subtotal - Ordinary	34,757	10,792	23,965
(b) Capital:	-	-	-
(1) Investments	3,882,686	4,076,769	(194,082)
(2) Real estate	-	-	-

**NOTES TO FINANCIAL STATEMENTS**

			-
(3) Other			-
(99) Subtotal - Capital	3,882,686	4,076,769	(194,082)
(c) Deferred tax liabilities (3a99 + 3b99h)	3,917,443	4,087,560	(170,117)

4. Net Deferred Tax Assets/Liabilities (2i - 3c) (1,703,415) (2,173,981) 470,566

## D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

	12/31/14	
	Amounts	Effective Tax Rate %
Provision computed at statutory rate	2,177,757	35.0%
Tax exempt income deduction	(1,406)	0.0%
Dividends received deduction	(87,186)	-1.4%
Tax differentials on foreign earnings	0	0.0%
Nondeductible expenses	738,176	11.9%
Tax Credits	(54,223)	-0.9%
Rate Differential	(94,058)	-1.5%
Other	216,733	3.5%
Total	2,895,792	46.5%
Federal and foreign income taxes incurred	2,934,614	47.2%
Realized capital gains/(losses) tax	204,519	3.3%
Change in net deferred income taxes	(243,341)	-3.9%
Total statutory income taxes	2,895,792	46.5%

## E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- At the end of the current period the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
- The following is income tax expense for 2014 and 2013 that is available for recoupment in the event of future net losses.

Year	Amount
2014	3,003,991
2013	4,059,817

- The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

## F. The Company does not file a Consolidated Federal Income Tax Return

## G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

**10. Information Concerning Parent, Subsidiaries and Affiliates**

A. The Company was formed on January 1, 1994. The Company's shareholders as of December 31, 2014 were Arkansas Blue Cross and Blue Shield (50%) and Baptist Medical System HMO, Inc. (50%). Effective October 1st, 2006, USABLE Corporation, a wholly owned subsidiary of Arkansas Blue Cross and Blue Shield (ABCBS), sold its ownership interest in HMO Partners, Inc. to ABCBS for \$27,143,396.

B. & C. The Company, d/b/a Health Advantage, serves as the Third Party Administrator for the self insured employee groups of ABCBS and Baptist Health. All receivables and payables dealing with their employee groups are classified under Uninsured Plans. At December 31, 2014, receivables of \$4,134,237 and \$1,792,292 were due respectively from Baptist Health and ABCBS. Payable balances of \$818,692 and \$545,615 are recorded respectively for Baptist Health and ABCBS. The Company paid dividends to Arkansas Blue and Blue Shield and BMS HMO on March 6, 2014, totaling \$393,781 to each.

D. At December 31, 2014 the Company reported the following amounts due to Affiliates:

Arkansas Blue Cross and Blue Shield \$7,172,385

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**NOTES TO FINANCIAL STATEMENTS**


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US Able Life	<u>214,222</u>
Total	\$7,386,607

E. N/A

F. The Company reimburses Arkansas Blue Cross and Blue Shield for various administrative, employee benefit and marketing shared expenses, which are provided to the Company. These expenses are allocated to the Company in accordance with generally accepted accounting principles. In addition, the Company leases office space from Arkansas Blue Cross and Blue Shield.

G. N/A

H. N/A

I. N/A

J. N/A

K. N/A

L. N/A

**11. Debt**

A. As of December 31, 2014, the Company has no capital notes. As of December 31, 2014, the Company's liability for borrowed money was zero (\$-0-).

B. As of December 31, 2014, the Company has no FHLB agreements.

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan

The Company no longer offers a defined benefit plan.

E. Defined Contribution Plan

The Company offers an optional 401(k) plan to all eligible employees. The employee has the option of deferring up to 50% of his or her salary. The Company matches the amount deferred by the employee based upon years of service from a minimum of 50% to a maximum of 100% of a 6% contribution.

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu\$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu\$ portion of the plan. At the end of each calendar year, employees will receive an annual 401(k) Plu\$ contribution equal to a minimum of 2% of the employee's annual earnings. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. For 2014, 8% has been used to calculate the Company's contribution of \$674,824.90.

All funds under the 401(k) Plu\$ portions of the plan are held by an outside trustee.

F. Multiemployer Plans

The Company does not participate in multiemployer plans.

G. Consolidated/Holding Company Plans

The Company's employees participate in the deferred compensation plans of the Company's co-owner, Arkansas Blue Cross and Blue Shield.

H. Postemployment Benefits and Compensated Absences

The Company does not offer a postretirement benefit plan.

I. N/A

**13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganization**

- 1) As of December 31, 2014, the Company had 1,000,000 common stock shares authorized, issued and outstanding at \$.01 par value.
- 2) The Company has no preferred stock outstanding.
- 3) Dividends are paid based on earned surplus and cannot fall below state net worth requirements.
- 4) Ordinary dividends on Company stock are paid as declared by its Board of Directors. Dividends were paid in the amount of \$787,562 on March 6, 2014.
- 5) All unassigned surplus is being held for the stockholder.
- 6) As of December 31, 2014, the Company held no stock for special purposes such as employee stock options or conversion of preferred stock.
- 7) The Company does not have any advances to surplus.
- 8) N/A
- 9) The Company has no special surplus funds.
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$ 7,250,286.
- 11) The Company has no surplus notes.
- 12) The Company was not involved in a quasi-reorganization.
- 13) The Company was not involved in a quasi-reorganization.

**14. Contingencies**

A. None

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**NOTES TO FINANCIAL STATEMENTS**


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- B. None
- C. None
- D. None
- E. None
- F. None

The Company is not aware of any contingent liabilities as of December 31, 2014.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2014. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

**15. Leases**

- A. None
- B. None

**16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

The Company does not have any off-balance sheet risk.

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

- A. None
- B. None
- C. None

**18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

The gain (loss) from operations for uninsured accident and health plans was as follows during 2014:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	\$ 1,027,625	\$-0-	\$ 1,027,625
Other Income	\$-0-	\$-0-	\$-0-
Net gain or (loss) from operations	\$ 1,027,625	\$-0-	\$ 1,027,625
Total claim payment volume	\$207,051,419	\$-0-	\$207,051,419

- A. None
- B. None

**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

The Company does not currently have any direct premium written/produced by managing general agents/third party administrators.

**20. Fair Value Measurement**

A.

## 1. Fair Value Measurements at Reporting Date

Description	Level 1	Level 2	Level 3	Total
a. Assets at Fair Value				
Perpetual Preferred Stock	\$0	\$0	\$0	\$0
Industrial and Misc	\$0	\$0	\$0	\$0
Parent, Subsidiaries and Affiliates	\$0	\$0	\$0	\$0
Total Perpetual Preferred Stocks				
Bonds				
U.S. Governments				
Industrial and Misc				
Hybrid Securities				
Parent, Subsidiaries and Affiliates				

**NOTES TO FINANCIAL STATEMENTS**

Total Bonds				
Common Stock				
Industrial and Misc	\$16,821,505	\$7,579,098	\$0	\$24,400,603
Parent, Subsidiaries and Affiliates	\$0	\$0	\$0	\$0
Supplemental Savings Plan	\$2,934,307	\$0	\$0	\$2,934,307
Total Common Stock				
Total Assets at Fair Value	\$19,755,812	\$7,579,098	\$0	\$27,334,910

Derivative Assets (none)

Liabilities (none)

2. The Company does not have fair value measures in Level 3.
3. The Company does not have any transfers between levels of fair value measurement.
4. As of December 31, 2014, the reported fair value of the reporting entities investments in Level 2 common stock was \$7,579,098. These securities are foreign common stock. To measure their fair value the reporting entity used current market prices in U.S. dollars.

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable Carrying Value
Bonds	\$120,719,478	\$120,719,478		\$120,719,478		
Common Stock	\$ 24,400,603	\$ 24,400,603	\$16,821,505	\$ 7,579,098		
Supplemental Savings Plan	\$ 2,934,307	\$ 2,934,307	\$ 2,934,307			
Total	\$148,054,388	\$148,054,388	\$19,755,812	\$128,298,576	\$0	\$0

D.

The Company does not have any of these securities at this time.

**21. Other Items**

- A. The Company had no extraordinary items as of December 31, 2014.
- B. The Company had no troubled debt restructuring as of December 31, 2014.
- C. The Company has no other disclosures as of December 31, 2014.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2014.
- E. The Company has no business interruption insurance recoveries.
- F. The Company has no state transferable tax credits
- G. The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages. The Company's exposure to sub-prime lending is limited to its ownership of the general obligation debt and/or equity securities of both governmental and commercial entities whose business activities include residential mortgage lending.
- H. The Company has no retained assets.

As of December 31, 2014 the Company held no debt securities described in the previous paragraph.

The market value of the Company's investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to \$406,500. This represents 1.67% of the Company's non related investments in equity securities of \$24,400,603.

**22. Events Subsequent****Type II – Nonrecognized Subsequent Events**

On Jan. 1, 2015, the Company will be subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after Jan. 1 of the year the fee is due. As of Dec. 31, 2014, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2015, and estimates their portion of the annual health insurance industry fee to be payable on Sept. 30, 2015 to be \$2,620,000. This amount is reflected in special surplus. This assessment is expected to reduce risk based capital by 2.19%. Reporting the ACA assessment as of Dec. 31, 2014 would not have triggered and RBC action level.

	Current Year	Prior Year
A. ACA fee assessment payable for the upcoming year	\$2,620,000	\$1,837,955
B. ACA fee assessment paid	\$2,046,301	
C. Premium written subject to ACA 9010 assessment	\$171,533,577	\$153,817,848
D. Total Adjusted Capital before surplus adjustment	\$119,421,030	
E. Authorized Control Level before surplus adjustment	\$6,720,142	

**NOTES TO FINANCIAL STATEMENTS**

F. Total Adjusted Capital after surplus adjustment	\$116,801,030
G. Authorized Control Level after surplus adjustment	\$6,720,142
H. Would reporting the ACA assessment as of Dec 31, 2014 have triggered an RBC action level?	NO

**23. Reinsurance**

## A. Ceded Reinsurance Report

## Section 1

1. The Company had no non-affiliated reinsurers.
2. The Company had no reinsurer chartered outside the United States.

## Section 2

1. The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits.
2. The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued may result in a payment to the reinsurer of amounts that exceed the premium collected.

## Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be \$-0-.
2. No new agreements have been executed since January 1, 2004.

B. The Company did not have any uncollectible reinsurance written off during the year.

C. There was no commutation of reinsurance during the year.

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

A. The company estimates accrued retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of the company's underwriting rules and experience rating practices.

The company also has health insurance business that is subject to a medical loss ratio pursuant to the Public Health Service Act.

B. The company records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the company at December 31, 2014 that are subject to retrospective rating features was \$171,533,576 that represented 100% of the total net premium written. No other net premium written by the company are subject to retrospective rating features.

D.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
<b>Prior Reporting Year</b>					
(1) Medical loss ratio rebates incurred		213,785			213,785
(2) Medical loss ratio rebates paid		213,785			213,785
(3) Medical loss ratio rebates unpaid		0			0
(4) Plus reinsurance assumed amounts					
(5) Less reinsurance ceded amounts		213,785			0
(6) Rebates unpaid net of reinsurance		0			0
<b>Current Reporting Year-to-Date</b>					
(7) Medical loss ratio rebates incurred		0			0
(8) Medical loss ratio rebates paid		0			0

**NOTES TO FINANCIAL STATEMENTS**

(9)	Medical loss ratio rebates unpaid				
(10)	Plus reinsurance assumed amounts				
(11)	Less reinsurance ceded amounts	0			0
(12)	Rebates unpaid net of reinsurance	0			0

**25. Change in Incurred Claims and Claim Adjustment Expenses**

Reserves as of December 31, 2013 were \$15,317,208. As of December 31, 2014, \$12,626,188 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now (\$457,851) as a result of re-estimation of unpaid claims and claim adjustment expenses principally on all lines of insurance. Therefore, there has been a \$3,148,871 (favorable) prior year development since December 31, 2013 to December 31, 2014. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

**26. Intercompany Pooling Arrangements**

The Company has no intercompany pooling arrangements.

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None
- G. None

**27. Structured Settlements**

This note is not applicable to health entities.

**28. Health Care Receivables**

A. The Company, in accordance with SSAP No. 84, has estimated pharmaceutical rebate receivables recorded on its financial statements. In determining its estimate, the Company utilizes historical information relative to pharmaceutical rebates received as well as considering contractual changes in rebate amounts and changes in membership. While the Company records the total estimated pharmaceutical rebate receivable, it only admits as an asset the estimate for the last quarter of the reporting date. The detail of the estimated amounts on the financial statements and the related collections are as follows:

Qtr	Est Rebates on F/S	Rebates as Billed Or Confirmed	---Rebates collected within days of billing---		
			0-90	91-180	over 180
12/31/2014	\$920,222	\$920,222	\$0	\$0	\$0
09/30/2014	\$698,960	\$1,048,197	\$911,086	\$0	\$0
06/30/2014	\$660,052	\$688,702	\$0	\$667,031	\$0
03/31/2014	\$695,374	\$646,270	\$0	\$646,270	\$0
12/31/2013	\$728,954	\$686,229	\$4,275	\$580,538	\$94,127
09/30/2013	\$655,485	\$658,825	\$33,601	\$621,401	\$0
06/30/2013	\$649,272	\$683,475	\$87,560	\$663,471	\$4,360
03/31/2013	\$627,852	\$640,866	\$0	\$491,380	\$102,001
12/31/2012	\$651,113	\$601,464	\$0	\$566,517	\$7,372
09/30/2012	\$641,810	\$567,507	\$91,241	\$459,510	\$0
06/30/2012	\$655,463	\$565,344	\$0	\$518,565	\$53,152
03/31/2012	\$642,506	\$550,383	\$0	\$519,059	\$19,971

B. The Company has no risk sharing receivables.

**29. Participating Policies**

The Company has no participating contracts.

- A. None

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## NOTES TO FINANCIAL STATEMENTS

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- B. None
- C. None
- D. None

### **30. Premium Deficiency Reserves**

The Company has no premium deficiency reserves.

### **31. Anticipated Salvage and Subrogation**

The Company has no estimates of anticipated salvage and subrogation.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No   
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State regulating? Arkansas
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2011
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/08/2013
- 3.4 By what department or departments?  
Arkansas Insurance Department
- 
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>State of Domicile |
|---------------------|--------------------|------------------------|
|                     |                    |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 6.2 If yes, give full information: \_\_\_\_\_
- 
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes  No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. \_\_\_\_\_
- 
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes  No
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|                     |                             |          |          |           |          |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
BKD, LLP Little Rock, Arkansas
- 
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes  No
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES - GENERAL**

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A
- 10.6 If the answer to 10.5 is no or n/a, please explain.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Samuel Vorderstrasse, Employee of Arkansas Blue Cross and Blue Shield

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No
- 12.11 Name of real estate holding company

- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value
- 12.2 If yes, provide explanation.

**FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No

13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes  No  N/A

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes  No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes  No

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

- 16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes  No
- 17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes  No

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes  No

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No

- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
  - 20.11 To directors or other officers \$.....0
  - 20.12 To stockholders not officers \$.....0
  - 20.13 Trustees, supreme or grand (Fraternal only) \$.....0

- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 20.21 To directors or other officers \$.....0
  - 20.22 To stockholders not officers \$.....0
  - 20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No

- 21.2 If yes, state the amount thereof at December 31 of the current year:
  - 21.21 Rented from others
  - 21.22 Borrowed from others
  - 21.23 Leased from others
  - 21.24 Other

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment .....
- 22.22 Amount paid as expenses .....
- 22.23 Other amounts paid .....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. ....

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]
- 24.02 If no, give full and complete information relating thereto. ....

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).  
.....

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. ....

24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.103 Total payable for securities lending reported on the liability page. ....

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements	\$.....0
25.22 Subject to reverse repurchase agreements	\$.....0
25.23 Subject to dollar repurchase agreements	\$.....0
25.24 Subject to reverse dollar repurchase agreements	\$.....0
25.25 Placed under option agreements	\$.....0
25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$.....0
25.27 FHLB Capital Stock	\$.....0
25.28 On deposit with states	\$.....0
25.29 On deposit with other regulatory bodies	\$.....300,000
25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$.....0
25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$.....0
25.32 Other	\$.....0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year: .....

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
US Bank Institutional Trust and Custody	St. Louis, MO

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
116359	Foundation Resource Management	Little Rock, AR

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999. TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	120,906,798	121,020,013	113,215
30.2 Preferred stocks.....			0
30.3 Totals.....	120,906,798	121,020,013	113,215

30.4 Describe the sources or methods utilized in determining the fair values:

Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2206 Valuation of Securities database, or from market prices provided by US Bank Institutional Trust & Cus

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ X ] No [ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ X ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ] No [ ]

32.2 If no, list exceptions:

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....307,078

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
BlueCrossBlueShield Association	280,228

34.1 Amount of payments for legal expenses, if any? \$.....177,550

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Foley & Lardner LLP	107,939

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....157,869

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
BlueCrossBlueShield Association	77,565

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U.S. business only \$.....0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 1.31 Reason for excluding .....

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$.....0

- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned .....
- 1.62 Total incurred claims .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned .....
- 1.65 Total incurred claims .....
- 1.66 Number of covered lives .....

- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned .....
- 1.72 Total incurred claims .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned .....
- 1.75 Total incurred claims .....
- 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	171,533,576	153,817,848
2.2 Premium Denominator.....	171,533,576	153,817,848
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	18,183,348	15,317,208
2.5 Reserve Denominator.....	18,667,816	15,441,345
2.6 Reserve Ratio (2.4/2.5).....	97.4	99.2

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [ X ]
- 3.2 If yes, give particulars: .....

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [ X ] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ X ]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [ X ] No [ ]
- 5.2 If no, explain: .....

- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive medical \$.....0
- 5.32 Medical only \$.....0
- 5.33 Medicare supplement \$.....0
- 5.34 Dental and vision \$.....0
- 5.35 Other limited benefit plan \$.....0
- 5.36 Other \$.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

.....

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [ X ] No [ ]
- 7.2 If no, give details: .....

8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year .....13,092
- 8.2 Number of providers at end of reporting year .....14,119

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [ X ]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months .....
- 9.22 Business with rate guarantees over 36 months .....

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [ X ] No [ ]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$.....199,381
- 10.22 Amount actually paid for year bonuses \$.....456,351
- 10.23 Maximum amount payable withholds \$.....4,155,696
- 10.24 Amount actually paid for year withholds \$.....3,692,710

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [ ] No [X]
- 11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]
- 11.14 A Mixed Model (combination of above)? Yes [X] No [ ]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]
- 11.3 If yes, show the name of the state requiring such net worth. Arkansas
- 11.4 If yes, show the amount required. \$.....100,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]
- 11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Arkansas

- 13.1 Do you act as a custodian for health savings account? Yes [ ] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. .....
- 13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. .....
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [ ] No [ ] N/A [ ]
- 14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for Individual Ordinary Life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):
- 15.1 Direct written premium..... \$.....0
- 15.2 Total incurred claims..... \$.....0
- 15.3 Number of covered lives..... .....0

*Ordinary Life Insurance Includes:
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

## FIVE-YEAR HISTORICAL DATA

	1 2014	2 2013	3 2012	4 2011	5 2010
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	186,731,781	157,233,564	148,037,295	146,008,992	142,757,661
2. Total liabilities (Page 3, Line 24).....	67,310,751	40,379,488	38,695,687	44,004,465	47,131,354
3. Statutory surplus.....	100,000	100,000	100,000	100,000	100,000
4. Total capital and surplus (Page 3, Line 33).....	119,421,030	116,854,076	109,341,608	102,004,527	95,626,307
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	171,533,576	153,817,848	143,168,298	143,801,757	136,176,181
6. Total medical and hospital expenses (Line 18).....	142,695,358	128,398,920	118,154,729	115,698,129	106,652,090
7. Claims adjustment expenses (Line 20).....	3,895,178	2,835,867	3,782,929	4,065,181	3,985,644
8. Total administrative expenses (Line 21).....	21,224,733	15,135,044	12,944,562	14,033,271	13,559,373
9. Net underwriting gain (loss) (Line 24).....	3,718,307	7,448,017	8,286,078	10,005,176	11,979,074
10. Net investment gain (loss) (Line 27).....	1,941,084	3,089,668	3,128,754	2,927,845	2,106,537
11. Total other income (Lines 28 plus 29).....	358,252	392,805	711,900	257,780	329,585
12. Net income or (loss) (Line 32).....	3,083,029	7,525,873	8,379,607	8,717,095	9,699,988
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	16,403,731	5,804,393	18,710,956	(6,029,880)	8,503,168
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	119,421,030	116,854,076	109,341,608	102,004,527	95,626,307
15. Authorized control level risk-based capital.....	6,720,142	6,178,326	5,606,328	5,513,091	5,424,026
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	70,379	71,911	66,765	67,167	65,548
17. Total member months (Column 6, Line 7).....	846,998	839,039	786,927	795,988	793,508
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0</b>					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	83.2	83.5	82.5	80.5	78.3
20. Cost containment expenses.....	1.4	1.6	1.4	1.7	1.7
21. Other claims adjustment expenses.....	0.9	0.2	1.2	1.2	1.2
22. Total underwriting deductions (Line 23).....	97.8	95.2	94.2	93.0	91.2
23. Total underwriting gain (loss) (Line 24).....	2.2	4.8	5.8	7.0	8.8
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	12,168,337	12,596,636	17,671,744	16,593,569	16,580,037
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	15,317,208	16,639,178	20,416,211	20,513,702	21,569,979
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....					
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [ ] No [ ]

If no, please explain:

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums and Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama.....AL	N							.0	
2. Alaska.....AK	N							.0	
3. Arizona.....AZ	N							.0	
4. Arkansas.....AR	L	251,158,787	2,468,210					253,626,997	
5. California.....CA	N							.0	
6. Colorado.....CO	N							.0	
7. Connecticut.....CT	N							.0	
8. Delaware.....DE	N							.0	
9. District of Columbia.....DC	N							.0	
10. Florida.....FL	N							.0	
11. Georgia.....GA	N							.0	
12. Hawaii.....HI	N							.0	
13. Idaho.....ID	N							.0	
14. Illinois.....IL	N							.0	
15. Indiana.....IN	N							.0	
16. Iowa.....IA	N							.0	
17. Kansas.....KS	N							.0	
18. Kentucky.....KY	N							.0	
19. Louisiana.....LA	N							.0	
20. Maine.....ME	N							.0	
21. Maryland.....MD	N							.0	
22. Massachusetts.....MA	N							.0	
23. Michigan.....MI	N							.0	
24. Minnesota.....MN	N							.0	
25. Mississippi.....MS	N							.0	
26. Missouri.....MO	N							.0	
27. Montana.....MT	N							.0	
28. Nebraska.....NE	N							.0	
29. Nevada.....NV	N							.0	
30. New Hampshire.....NH	N							.0	
31. New Jersey.....NJ	N							.0	
32. New Mexico.....NM	N							.0	
33. New York.....NY	N							.0	
34. North Carolina.....NC	N							.0	
35. North Dakota.....ND	N							.0	
36. Ohio.....OH	N							.0	
37. Oklahoma.....OK	N							.0	
38. Oregon.....OR	N							.0	
39. Pennsylvania.....PA	N							.0	
40. Rhode Island.....RI	N							.0	
41. South Carolina.....SC	N							.0	
42. South Dakota.....SD	N							.0	
43. Tennessee.....TN	N							.0	
44. Texas.....TX	N							.0	
45. Utah.....UT	N							.0	
46. Vermont.....VT	N							.0	
47. Virginia.....VA	N							.0	
48. Washington.....WA	N							.0	
49. West Virginia.....WV	N							.0	
50. Wisconsin.....WI	N							.0	
51. Wyoming.....WY	N							.0	
52. American Samoa.....AS	N							.0	
53. Guam.....GU	N							.0	
54. Puerto Rico.....PR	N							.0	
55. U.S. Virgin Islands.....VI	N							.0	
56. Northern Mariana Islands.....MP	N							.0	
57. Canada.....CAN	N							.0	
58. Aggregate Other alien.....OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal.....XXX		251,158,787	2,468,210	.0	.0	.0	.0	253,626,997	.0
60. Reporting entity contributions for Employee Benefit Plans.....XXX		2,089,548						2,089,548	
61. Total (Direct Business).....(a)	1	253,248,335	2,468,210	.0	.0	.0	.0	255,716,545	.0

**DETAILS OF WRITE-INS**

58001.....								.0	
58002.....								.0	
58003.....								.0	
58998. Summary of remaining write-ins for line 58.....		.0	.0	.0	.0	.0	.0	.0	.0
58999. Total (Lines 58001 thru 58003 + 58998).....		.0	.0	.0	.0	.0	.0	.0	.0

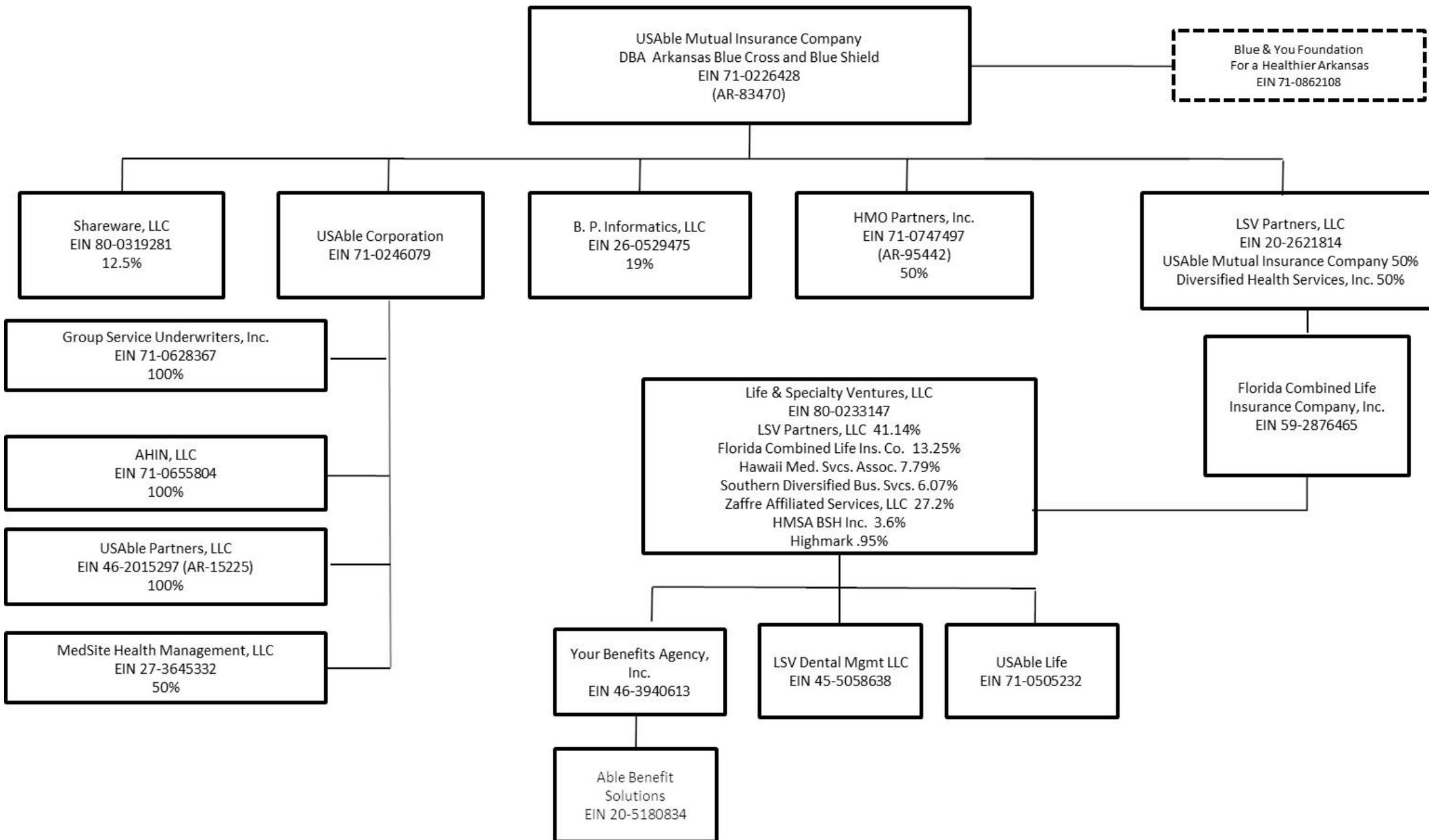
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

**Explanation of basis of allocation by states, premiums by state, etc.**

(a) Insert the number of L responses except for Canada and Other Alien.

# SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 – ORGANIZATIONAL CHART



**2014 ALPHABETICAL INDEX  
HEALTH ANNUAL STATEMENT BLANK**

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